



SECTION 8

Agency Revenues and Fund Balance Reports

8.1 Agency Revenues report (B9)



What is the Agency Revenues report?

Agency revenue estimates are used to identify funds that support agency expenditure requests, and to assist in estimating statewide fund balances. The Agency Revenues report (B9) form shows revenue that has been or will be credited to budgeted funds in the current and ensuing biennium. See Appendix A-6 for an example of this report.

Who must submit a B9 form?

Any agency that collects, deposits, transfers, or reports revenue for any budgeted account must complete and submit B9 forms. Only those revenue transactions executed by an agency are reported by that agency. For example, interest earnings (source 0408) are reported by the State Treasurer.

How is B9 data used?

The second year current biennium and ensuing biennium B9 revenue estimates from agencies are combined with beginning fund balances, actual revenue and expenditure data to determine an account's fund balance.

Updating Revenue Estimates

OFM uses the Economic and Revenue Forecast Council September and November forecasts for funds forecast by the Council or the Department of Revenue. Other agencies that prepare revenue forecasts for dedicated funds will be required to provide updated data to OFM in September and November so that the most up-to-date estimates are used to determine budget levels.

What if an account is only partially budgeted?

When an account is partially budgeted, the agency should not report revenue associated with the non-budgeted portion of the account. Partially budgeted or mixed funds are generally proprietary funds. In proprietary funds where only the administrative costs are budgeted, only enough revenue should be submitted to offset the budgeted expenses. In budgeted proprietary funds that engage in sales of merchandise, gross profit (sales net of cost of sales) should be submitted in the budget rather than total sales revenue.

A reminder about balancing federal and private/local revenues and expenditures

For all accounts, generally federal revenue must equal federal expenditures shown in the agency's budget (both operating and capital), unless the agency receives federal revenue that is spent by another agency. In this case, federal revenue and expenditures must net to zero at the statewide level.

Similarly, generally private/local revenues must equal private/local expenditures shown in the agency's budget (both operating and capital), unless the agency receives private/local revenue that is spent by another agency. In this case, private/local revenue and expenditures must net to zero at the statewide level.

Use BDS for preparing the report

Agencies must use the Budget Development System to prepare the revenue report. Please contact Vicki Rummig at (360) 725-5268 if you need information about, or access to, the system.

Revenue estimates in BDS are to be reported on a GAAP basis. Carry-forward revenue can be captured by creating a carry-forward level, revenue-only decision package. Revenue changes that result from maintenance or performance level items should be captured in an appropriate decision package. These decision packages can be revenue only, or combined with an expenditure change request decision package.

BDS will generate the Agency Revenues report based on the revenue entered in the decision packages.

Use prescribed revenue and source codes

The State Administrative and Accounting Manual (SAAM) lists appropriate revenue source codes and titles. Each code contains a two-digit major group code and a two-digit source code. A number of changes are being made to the revenue source codes for the 2003-05 Biennium. Appendix A-4 shows definitions and source codes from the revised chart of accounts that are to be used for the 2003-05 budget submittal.

For budgetary purposes, major source code 03 designates federal revenue, and the source code indicates the federal agency providing the revenue (matching the first two digits of the five-digit agency program index published in the Catalog of Federal Domestic Assistance).

Do not include revenue source transfers 0726 or 0727 (or 0626 or 0627) or any transfers to accounts 406 or 427 in budgeted revenue estimates. These revenue sources and accounts are used only for allocations once the budget is enacted.

Explain revenue estimates

Please include a page of narrative that clearly states the assumptions underlying the estimate of each revenue source following the Agency Revenues report (unless explained in a decision package).

This explanatory material should contain information concerning key assumptions such as economic indicators, population, number of licenses, enrolled students, and other appropriate variables used to forecast revenues. When federal funds are estimated, the basic federal law, regulations, and other relevant information should also be described in sufficient detail to identify the purpose of the funds and how the amounts have been determined.

Be sure the justification answers the following questions about the health and continuing viability of the revenue source:

- How variable are the revenue collections?
- What is the long-term outlook for the stability of the revenue base?
- What are the linkages between the revenue sources and the purposes for which the revenues are used?
- What is the degree of fit between revenue collection patterns and expenditure patterns?

8.2 Fund Summary and fund balancing

Fund administrators must submit a Fund Summary

Administering agencies for specific accounts should coordinate with other agencies using that account and submit to OFM a summary of the fund activity for the 2003-05 Biennium. This summary should include:

- The projected revenue and expenditure by agency in the account for the biennium, and
- The projected ending biennium balance for the account.

See Appendix A-6 for an example of this report.

If you have a question regarding which agency is considered the fund administrator, consult the Fund Reference Manual, which lists the administrator for each account, as well as other descriptive information. The Fund Reference Manual can be found on the OFM Web site at <http://www.ofm.wa.gov/fund/maintoc.htm>.

Agencies will be asked to verify beginning fund balances



The Governor must prepare a budget proposal that is balanced for every account each biennium. Beginning fund balances for the current biennium are based on CAFR data. These balances are adjusted to create beginning “budget” fund balances. OFM will send adjusted beginning balances to agencies for verification in the spring.

For Governmental Funds, the unreserved undesignated fund balance is used as the beginning balance in the budget. For Proprietary Funds, amounts not available for expenditure, such as capital assets, or that do not require the use of current resources, such as long-term obligations, are excluded from the beginning balance.

8.3 Transfer Reconciliation Statement

When must a Transfer Reconciliation Statement be submitted?

Generally, operating revenue transfers balance at the agency level. When both sides of a transfer are not shown on the Agency Revenue report (i.e., transfers between budgeted and non-budgeted funds), a Transfer Reconciliation Statement is required as part of the revenue justification material. This statement will assist the OFM analyst in understanding the purpose and mechanism for the complete transfer.

Here is a sample format for the Transfer Reconciliation Statement.

SOURCE 0621—TRANSFERS IN:

<u>Fiscal Year</u>	<u>Amount</u>	<u>From Account</u>	<u>To Account</u>	<u>Purpose</u>
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SOURCE 0622—TRANSFERS OUT:

<u>Fiscal Year</u>	<u>Amount</u>	<u>From Account</u>	<u>To Account</u>	<u>Purpose</u>
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8.4 Working Capital Reserve (B9-1)

Who must submit this statement?

The administering agency of a special revenue fund must also submit a Working Capital Reserve form (B9-1) listing the recommended ending fund balance for those accounts. See Appendix A-6 for an example of this report.

Use BDS for preparing the report

Agencies use the Budget Development System to prepare this report. BDS includes the appropriate worksheet and prints the report.

How to complete the report

The agency should enter the working capital reserve that, in its judgment, should remain in the account at the end of each biennium to cover fluctuations in cash flow. A reasonable amount would be sufficient to cover two months worth of cash expenditures.

The recommended balance should be entered for each account that should have a working capital reserve. There is no need to indicate a source code.

The recommended ending balance should include, but not be limited to, a cash reserve sufficient to ensure the account does not end the biennium with a negative cash balance. Administering agencies may find it prudent to recommend additional ending balance because of volatile revenues, or to offset an ensuing biennium operating deficit. Administering agencies should ensure sufficient balance to cover revolving fund increases. OFM will estimate possible salary increase amounts and require that sufficient balance in addition to the working capital reserve be available to cover this amount.

Since only the administering agency may enter a recommended ending balance, administering agencies should contact any other agencies operating in the account to determine the impact of those operations before recommending an ending balance.

8.5 How to avoid common revenue errors

Reminders

- Ensure revenues match expenditures for federal and private/local funds, and that revenues are sufficient to cover dedicated account expenditures.
- Don't submit estimates for revenue that is actually collected by another agency.
- Include revenue that is collected by your agency, even if spent by another agency.
- Do not include transfers to revolving accounts 406 or 427. These special accounts are used for allocation purposes and should not be reflected in an agency's budget submittal.
- Do not include interest earnings (Source 0408) since these are part of the Treasurer's Office estimates.
- Match federal and private/local revenue to the combined expenditures of both the operating and capital budgets.
- Check that you made adjustments to reflect new definitions and source codes.